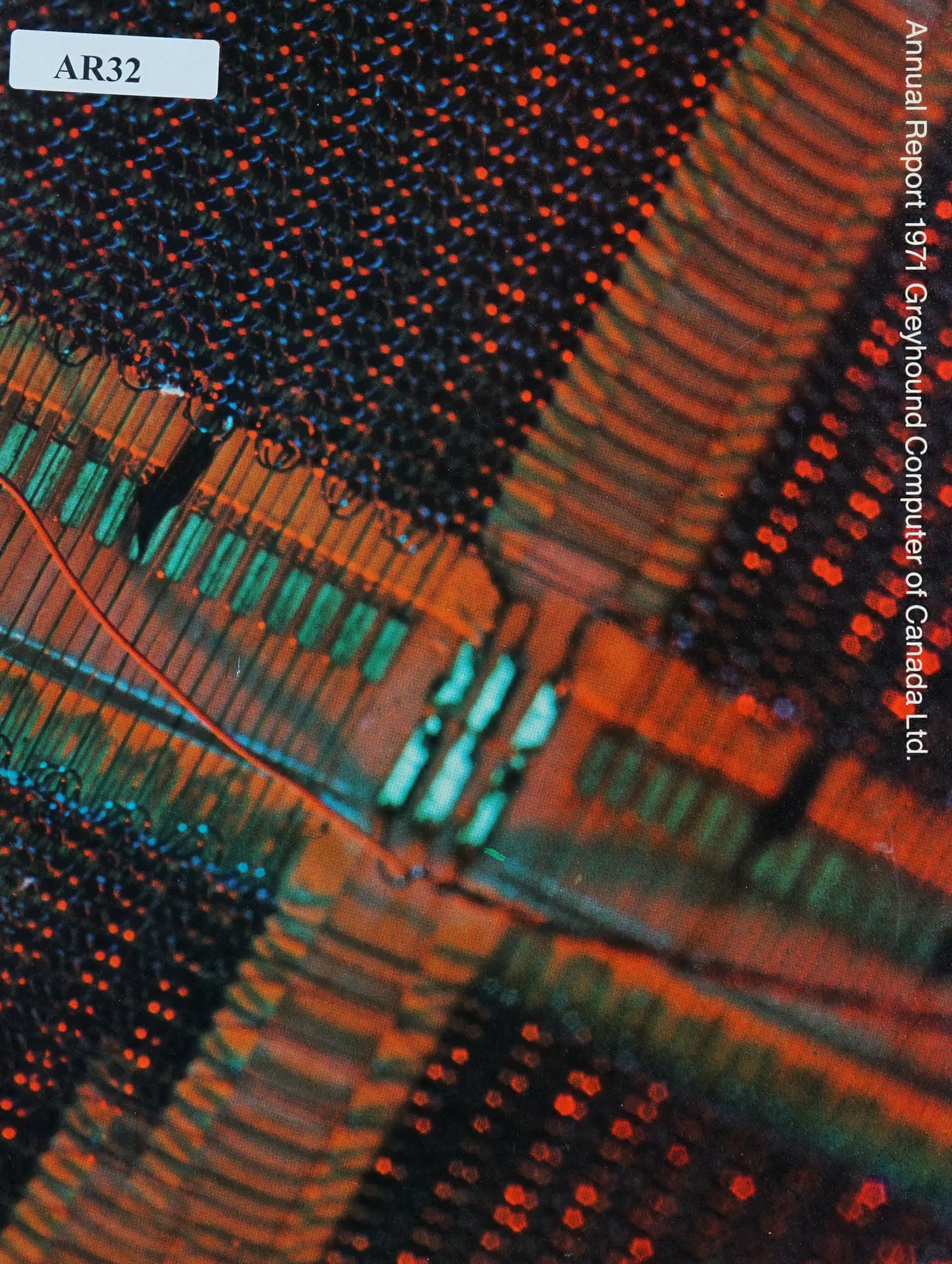
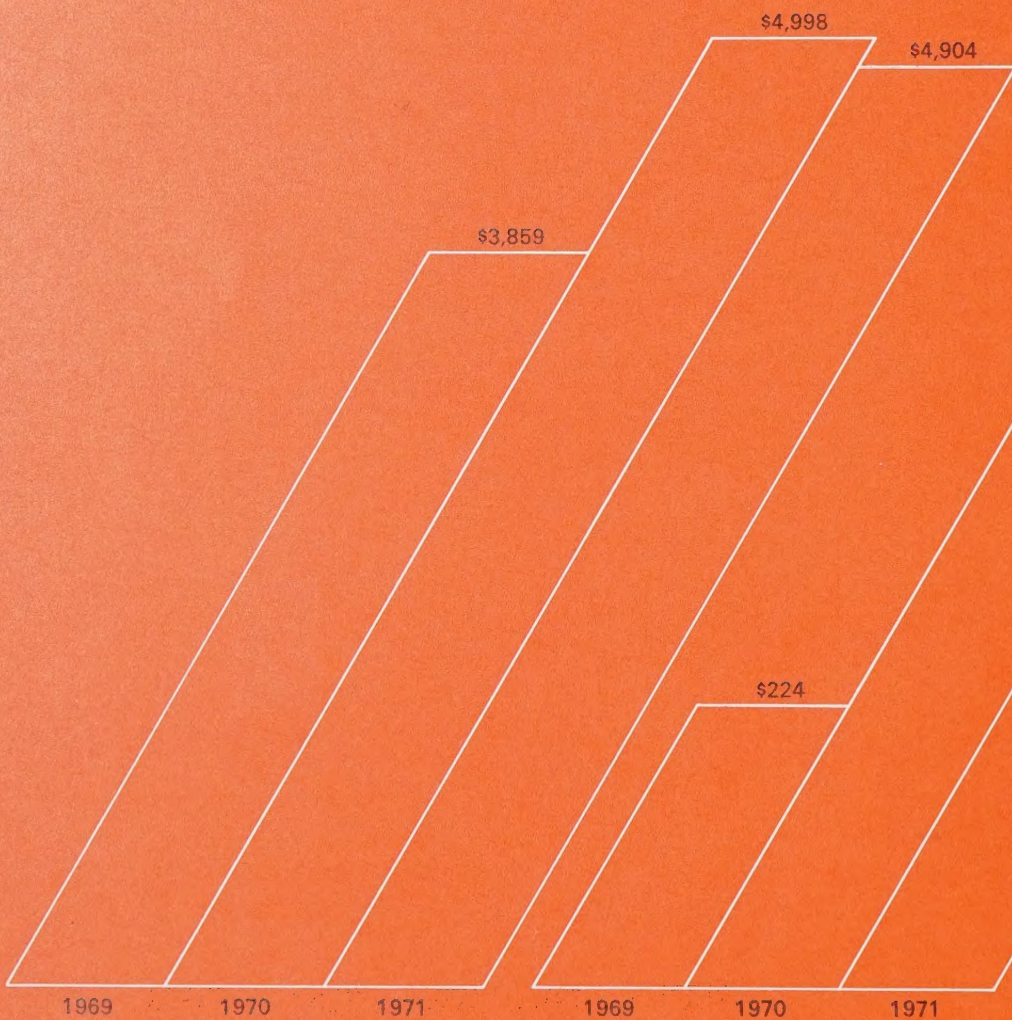
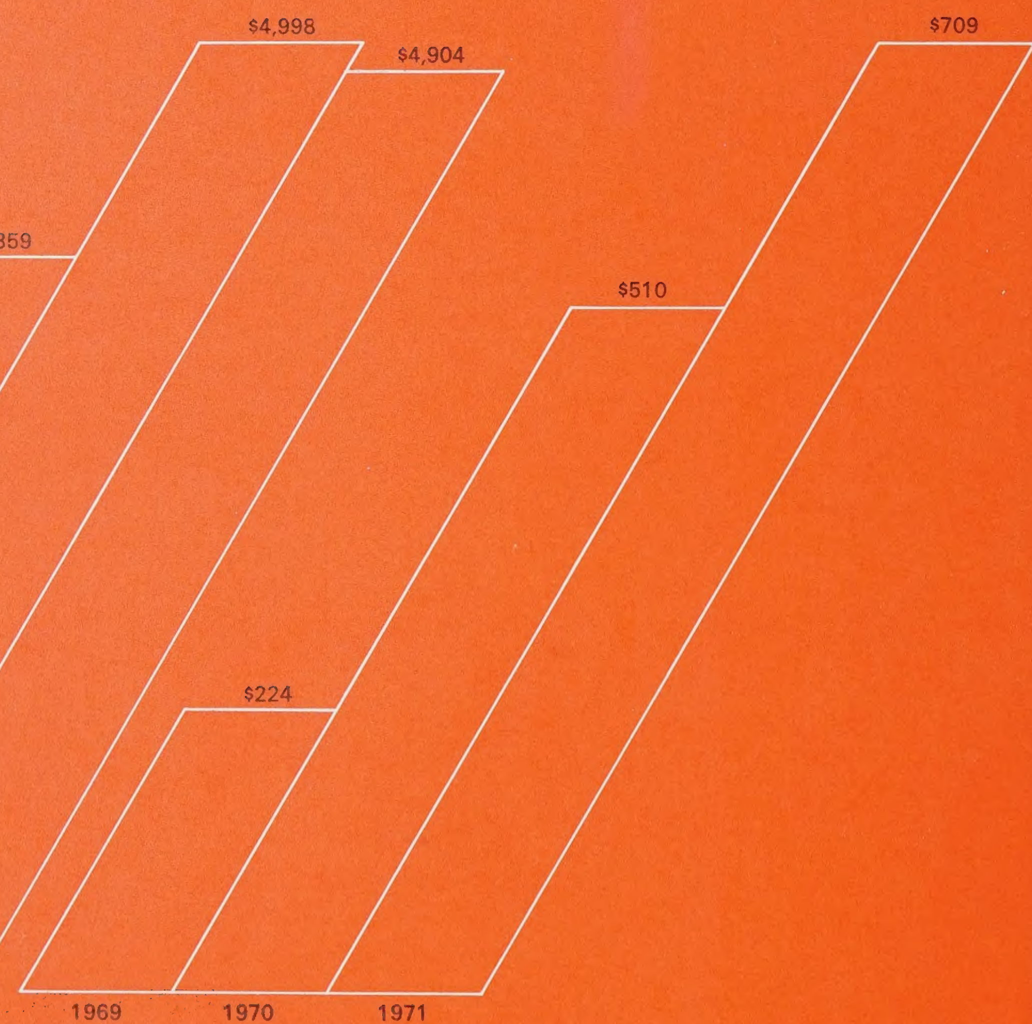


Annual Report 1971 Greyhound Computer of Canada Ltd.

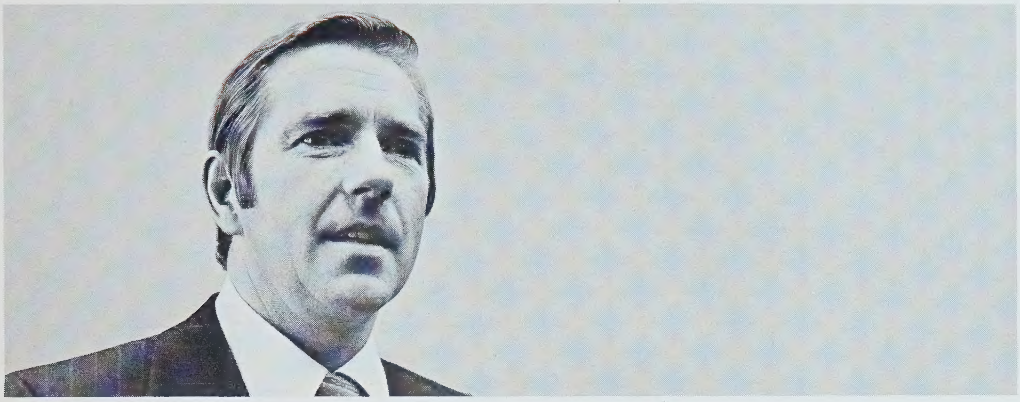
Highlights for the Year 1971

	For the year ended Dec. 31, 1971	For the year ended Dec. 31, 1970	For the year ended Dec. 31, 1969
Revenue	$ 4,904,495	$ 4,998,345	$ 3,859,431
Income before Provision for Deferred Income Taxes	$ 1,439,795	$ 853,607	$ 446,287
Income before Extraordinary items	$ 691,102	$ 404,983	$ 237,934
Extraordinary items	$ 18,051	$ 105,869	$ (14,297)
Net Income	$ 709,153	$ 510,852	$ 223,637
Shareholders' Equity	$ 6,412,280	$ 5,703,127	$ 5,192,275
Earnings per Share:			
Before Extraordinary items	17¢	10¢	6¢
Net Income	18¢	13¢	6¢
Computer Equipment Owned (at cost)	$23,505,579	$22,260,945	$22,022,533





1971 Report to the Shareholders



Your Company achieved record earnings during the year ended December 31, 1971. On behalf of your Directors, we are pleased to report these improved results for the year. As summarized in the highlights section on the opposite page, net income after provision for deferred income taxes increased 39 per cent to $709,153 from $510,852 in 1970. This produced earnings per share of 18 cents as compared with 13 cents in 1970.

The net income figure for 1971 included two extraordinary items: a gain of $31,301 which was realized on foreign exchange transactions, and a charge of $13,250 representing the write-off of organizational expenses. This compares with the results of 1970 which included an extraordinary gain of $105,869 representing a realized gain on foreign exchange.

Revenues for the full year were down slightly to $4,904,495 from $4,998,345 in 1970. This reflects the contributions made to revenues in the early part of last year by data services activities and by the rental of certain peripheral equipment purchased from Greyhound Computer Corporation. The lower revenues recorded for 1971 are primarily due to the discontinuance of data services and to the return of some peripheral equipment to Greyhound Computer Corporation.

As indicated in the Quarterly Reports issued during the year, these improved earnings for 1971 were contributed to by a number of factors: lower interest rates, our success in re-leasing returned equipment at favourable rates with minimum off-rent periods, the elimination of operating expenses related to data services activities, a strong cash position that enabled us to pay down certain equipment purchase contracts having high interest rates, additional income earned from new equipment purchases, and tight expense control.

Economic conditions during the year were generally unfavourable and it was only during the last quarter that customers demonstrated any renewed interest in computer acquisition. Your Company continued to make selective purchases of additional computer equipment and a total of $1,481,724 was invested, largely during the final quarter.

Our application for listing on The Toronto Stock Exchange was accepted early in October. Greyhound Computer shares are now traded on the two major exchanges and our shareholders receive the benefit of this wider exposure to the Canadian investing community.

During the latter part of the year we experienced increased competitive pressure from new IBM products and from recent IBM pricing policies which provide discounts for extended term contracts and reduced rentals on certain peripheral equipment. This resulted in a high rate of return of our equipment and made it more difficult for our marketing force to re-lease the equipment at favourable rates. This trend is expected to continue during 1972 and we have therefore implemented measures to better prepare us for these less favourable market conditions.

The "Stretch 360" campaign was announced in October. This campaign is designed to expand the capability of our present portfolio of 360 equipment through the addition of larger memories, higher power peripherals and the use of more efficient software. By extending the performance of our equipment we enhance its value and thereby we have created a more competitive product. A key part of this "Stretch 360" campaign was the signing of an agreement with Fabri-Tek, Inc. of Minneapolis under which we market in Canada a complete line of core memory products. The memory size of a computer system is a major factor in determining its overall capability. The Fabri-Tek memory products enable us to offer our customers larger memories at low cost, greatly extending the price performance of our present System 360 equipment. Marketing of these memory products has been very successful. At the time of this writing, 15 Canadian customers are already enjoying the benefits made possible by the utilization of Fabri-Tek memories. We are presently examining additional products which will further enhance the value of our computer portfolio and it is our plan to continue to emphasize the "Stretch 360" campaign.

As a further step to prepare for the more competitive market, we strengthened our organization. Mr. K. E. Lancashire, who joined the Company early in the year, has recently been promoted to Vice President and Secretary-Treasurer, and Mr. W. D. Maunder was appointed as Vice President, Marketing. With the addition of these two experienced executives and the continued excellent performance of our entire staff, we are confident of our ability to meet the challenges of the coming year.

On behalf of the Board

President and Chief Executive Officer

April 14, 1972

Operations

This activity includes the planning and execution of machine movement, refurbishing, installation, de-installation, and feature changes. The primary responsibility of operations is to provide fast and efficient service to minimize the off-rent periods for transferred computer equipment. During the year a large quantity of peripheral equipment was moved along with twelve complete systems relocations. Expense control is another important factor. Substantial improvements were made to our operations during 1971. The staff was strengthened and became technically more competent. Inventory control and procedures were greatly improved to support intensified activity. Outside technical organizations were used, when desirable and available, to reduce costs and improve machine deliveries. We are concerned that this important support function operates efficiently. 1972 will necessitate more equipment moves and services related to re-leasing than 1971 and the operating area will require continuing attention and support to meet this challenge.

Finance

A strong cash flow continued to improve our financial position and enabled us to reduce borrowings by approximately $2,400,000. Several equipment purchase contracts bearing high interest rates of 9 to 10 per cent were retired. In addition, we were able to purchase approximately $1,500,000 in computer equipment for lease. Interest expense savings were substantial due to loan repayment and reductions in the bank prime interest rate from 7½ to 6 per cent during the year. Early in 1971 we took advantage of the favourable exchange rate between the Canadian and U.S. dollar by repaying our U.S. bank loan. A special 5-year bank loan with a favourable fixed interest rate was negotiated to finance the purchase of computer equipment for a long-term lease. This loan is outside our regular bank loan and is payable in instalments.

The importance of maintaining current accounts receivable is well recognized and a great deal of emphasis has been given to the granting of credit and collection of accounts receivable. A competent and efficient staff, combined with improved procedures, kept receivables under control.

Leasing

The Company is engaged in the continuing management and re-leasing of the current portfolio of 360 equipment, and also in the purchase, sale, lease, financing, and marketing of computer equipment.

Our major effort is directed to retaining our System 360 equipment on lease. This involves extension of present lease contracts and the re-leasing of returned equipment to new customers. Re-leasing activity has continued to increase as our original leases mature and our equipment is impacted by competitive suppliers. During the year we successfully re-leased returned equipment with a minimum of lost rentals. In many cases it is necessary to reconfigure computer systems in order to tailor them to the specific requirements of new customers. In this regard, we made some acquisitions of additional equipment and features in order to maintain the profitability of equipment already owned and to improve the balance of the present portfolio.

We have continued to expand the range of services offered to our customers. During the year we purchased products from several different manufacturers. We upgraded customer's capacity by the exchange of equipment. We developed a wide range of imaginative finance plans for our customers. We entered into an agreement for the direct marketing of Fabri-Tek computer products. All of these activities are designed to allow Greyhound to offer the user a single source of supply for his many varied requirements without restricting him to a single manufacturer.

Greyhound Computer throughout Canada

From Newfoundland to British Columbia, Greyhound Leases computer installations to public and private organizations, serving Governments and Industry that provide products and services to every sector of Canadian society.

Anaconda American Brass Limited
R. Angus Computer Services Ltd.
Atomic Energy of Canada Limited
Avon Products of Canada Limited
The Board of Education for the Borough of North York
The Board of Education for the City of Toronto
Border Brokers Limited
British Columbia Medical Plan
Canadian Admiral Corporation, Ltd.
Canadian Canners Limited
Canadian Forest Products Ltd.
Canadian-Ingersoll Rand Company Limited
Computamatics Limited
Computer Graphic Systems
Cytronics Corporation
Du Pont of Canada Limited
The T. Eaton Co. Limited
The Excelsior Life Insurance Company
General Accident Assurance Company of Canada
General Foods, Limited
The Goodyear Tire & Rubber Company of Canada, Limited
Government of British Columbia
Department of Industrial Development, Trade and Commerce
Department of Finance
Government of Canada
Computer Services Bureau
Department of the Environment
Department of National Revenue
National Research Council of Canada
Greb Industries Limited
Hawker Siddeley Canada Ltd., Canadian Car Division
Home Oil Company Limited
Hudson's Bay Oil & Gas Company Ltd.
Hudson's Bay Company
Intercontinental Pulp Company Ltd.
Kaiser Resources Ltd.
Kelly, Douglas & Co. Ltd.
Lenkurt Electric Co. of Canada, Ltd.
Litton Systems (Canada) Limited
MAI Canada, Ltd.
Merck Frosst Laboratories
Minnesota Mining and Manufacturing of Canada Limited
The New Brunswick Telephone Company, Limited
Newfoundland & Labrador Computer Services Limited
A.C. Nielsen Company of Canada Limited
Pilkington Brothers Canada Limited
Polymer Corporation Limited
The Prudential Insurance Company of America
Robin Hood Multifoods Limited
Royal Bank of Canada
Scott Paper Limited
I.P. Sharp Associates Limited
Sun Oil Company Limited
The Toronto-Dominion Bank
Trane Company of Canada, Limited
TransCanada PipeLines Limited
Triangle Data Systems Ltd.
Union Carbide Canada Limited

Greyhound Computer of Canada Ltd.

(Incorporated under the Canada Corporations Act)

Balance Sheet

Assets	December 31 1971	1970
Cash	$ 35,340	$ 282,819
Rentals and Accounts Receivable	80,489	36,338
Computer Equipment, *at cost (Notes 3 and 4)*:	23,505,579	22,260,945
Less accumulated depreciation	5,567,366	3,524,375
	17,938,213	18,736,570
Other Assets:		
Office equipment, automobile and leasehold improvements, less accumulated depreciation and amortization of $62,122 ($38,354, 1970)	19,583	58,125
Organization expenses	—	13,250
Prepaid expenses	460	2,263
	20,043	73,638
	$18,074,085	**$19,129,365**

Auditors' Report

The Shareholders,
Greyhound Computer of Canada Ltd.

We have examined the balance sheet of Greyhound Computer of Canada Ltd. as at December 31, 1971 and the statements of income and retained income, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971 and the results of its operations and source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Touche Ross & Co.
Chartered Accountants
Toronto, Ontario
January 28, 1972.

Liabilities and Shareholders' Equity	December 31 1971	1970
Short-term Liabilities:		
Demand bank loan ($652,158 U.S. 1970)	$ —	$ 660,717
Accounts payable and accruals	254,841	233,639
Due to Greyhound Computer Corporation (parent)		
Current account ($120,638 U.S., $127,119 U.S. 1970)	120,638	128,788
Rentals received in advance	163,969	237,427
Current portion of long-term obligations	368,485	584,544
	907,933	1,845,115
Unrealized Gain on Foreign Exchange	—	28,488
Long-term Obligations *(Note 4)*:		
Loans payable to banks	9,363,692	9,900,000
Equipment purchase contracts, less portion due within one year included above	—	1,011,148
	9,363,692	10,939,636
Deferred Income Taxes *(Note 5)*	1,390,180	641,487
Shareholders' Equity:		
Capital stock, without par value *(Note 6)*		
Authorized—6,000,000 shares		
Issued and fully paid—4,000,000 shares	5,014,250	5,014,250
Retained income	1,398,030	688,877
	6,412,280	5,703,127
	$18,074,085	**$19,129,365**

On behalf of the Board

G S Clarke

Gordon B. Clarke, Director

Olie E. Swanky, Director

See notes to financial statements.

Statement of Income and Retained Income

	Year Ended December 31	
	1971	1970
Rental Income (including computer service revenues of $103,536 in 1970)	$4,904,495	$4,998,345
Costs and Expenses:		
Depreciation and amortization	2,105,757	2,043,698
Interest on long-term obligations	803,539	1,020,456
Other interest	6,247	223,102
Selling, general and administrative	549,157	857,482
	3,464,700	4,144,738
Income before Income Taxes and Extraordinary Items	1,439,795	853,607
Provision for Income Taxes—deferred *(Note 5)*	748,693	448,624
Income before Extraordinary Items	691,102	404,983
Extraordinary Income (Expenses):		
Realized gain on foreign exchange	31,301	105,869
Organization expenses	(13,250)	—
	18,051	105,869
Net Income *(Note 8)*	709,153	510,852
Retained Income, January 1	688,877	178,025
Retained Income, December 31	**$1,398,030**	**$ 688,877**
Net Income per Share		
Income before extraordinary items	$ .17	$ .10
Extraordinary income	.01	.03
Net income	$ .18	$ .13

See notes to financial statements.

Statement of Source and Use of Funds

	Year Ended December 31	
	1971	1970
Source of Funds:		
From operations:		
Income before extraordinary items	$ 691,102	$ 404,983
Depreciation and amortization	2,105,757	2,043,698
Deferred income taxes	748,693	448,624
Total from operations	3,545,552	2,897,305
Extraordinary income	31,301	105,869
Disposals of computer equipment	190,079	—
Increase in accounts payable and accruals	21,202	—
Decrease in receivables and other assets	—	154,390
Other items (net)	—	53,359
	3,788,134	3,210,923
Use of Funds:		
Purchase of computer equipment	1,481,724	238,410
Repayment of borrowings from parent company (net)	8,150	1,121,267
Repayment of bank borrowings	1,156,100	1,520,808
Payments on equipment purchase contracts	1,268,132	444,437
Decrease in accounts payable and accruals	—	146,365
Increase in receivables and other assets	14,324	—
Other items (net)	107,183	—
	4,035,613	3,471,287
Decrease in Cash	**$ 247,479**	**$ 260,364**

See notes to financial statements.

Notes to Financial Statements

Year Ended December 31, 1971

1. Accounting Methods:

Computer equipment rentals under lease contracts are recorded as income when earned, using the operating method of accounting. Lease acquisition costs are charged to expense when incurred.

2. Foreign Exchange Conversion:

Assets and liabilities in United States funds have been converted to Canadian dollars at par at December 31, 1971 and at the exchange rate prevailing at December 31, 1970.

3. Computer Equipment and Related Lease Contracts:

The following is an analysis of computer equipment, at cost:

	1971	1970
IBM computer equipment	$23,165,804	$21,994,045
Other computer equipment	339,775	266,900
	$23,505,579	$22,260,945

All computer equipment is depreciated on a straight-line basis. Substantially all IBM computer equipment is System/360 and is depreciated to a 10% residual value over ten years or to December 31, 1979. Other computer equipment is depreciated over three to eight years generally without providing for residual value. Most leases are for non-cancellable terms of one to three years, and lease payments over the non-cancellable terms are less than the Company's investment in the related computer equipment. At December 31, 1971 future rentals receivable during the non-cancellable term of leases amounted to approximately $4,000,000.

In the opinion of management, existing leases will be renewed at the end of the present lease periods, or the related assets will be sold or re-leased at amounts sufficient to recover the remaining carrying value.

4. Long-term Obligations:

Loans payable to banks, except purchase money mortgages, guaranteed by the parent company, are subject to revolving credit agreements aggregating $11,000,000 with an interest rate of ½ of 1% in excess of the Canadian prime bank rate. As long as the Company maintains the required borrowings base no repayment is required; accordingly, no portion of the loans is classified as currently payable at December 31, 1971. However, indebtedness to any or all such banks not renewed by May 31, the annual renewal date, or not covered by continuing guarantees by the parent, becomes payable to such bank or banks over a term of three years.

The Company has contracted in each of the revolving credit agreements that it will grant security, at the request of the banks, on its computer equipment or leases and that it will not otherwise encumber its computer equipment (other than by purchase money mortgages) or leases in Canada.

Loans payable to banks in 1971 include a $204,617 purchase money mortgage, repayable by instalments over the next five years and bearing interest at a rate of 7¾% per annum on the outstanding balance. Computer equipment purchased with this loan has been pledged as security to the bank.

5. Deferred Income Taxes:

For income tax purposes depreciation is reported on a basis different from the financial reporting basis. As a result, income taxes are not currently payable. Provision has been made for deferred income taxes relating to timing differences between depreciation reported for income tax purposes and the depreciation shown by the financial statements.

6. Stock Option Plan:

Under the Company's Incentive Stock Option Plan, 150,000 shares of the Company's capital stock have been reserved for purchase by officers and key employees of the Company and its related corporations. The price per share at which the options to purchase these shares may be exercised is the market price on the dates of granting of the options. Options become exercisable in four equal annual instalments commencing one year after the dates granted, and expire five years from the dates granted.

At December 31, 1971 options were outstanding on 76,000 shares as follows:

To directors and officers	Shares
Granted August 21, 1969 at $6.00 per share	4,000
August 12, 1970 at $1.275 per share	9,000
February 18, 1971 at $1.40 per share	28,000
To key employees of the company Granted November 15, 1971 at $1.80 per share	35,000
	76,000

7. Commitments:

The Company has contractual commitments in respect of long-term leases of real property which mature July 31, 1979. Annual rents under these leases aggregate approximately $98,000 of which approximately $72,000 relates to premises not occupied by the Company. Rentals recoverable in 1972 in respect of this remainder are expected to total approximately $23,000. A provision of $40,000 for loss on unoccupied leasehold premises has been made in 1971.

8. Directors and Officers:

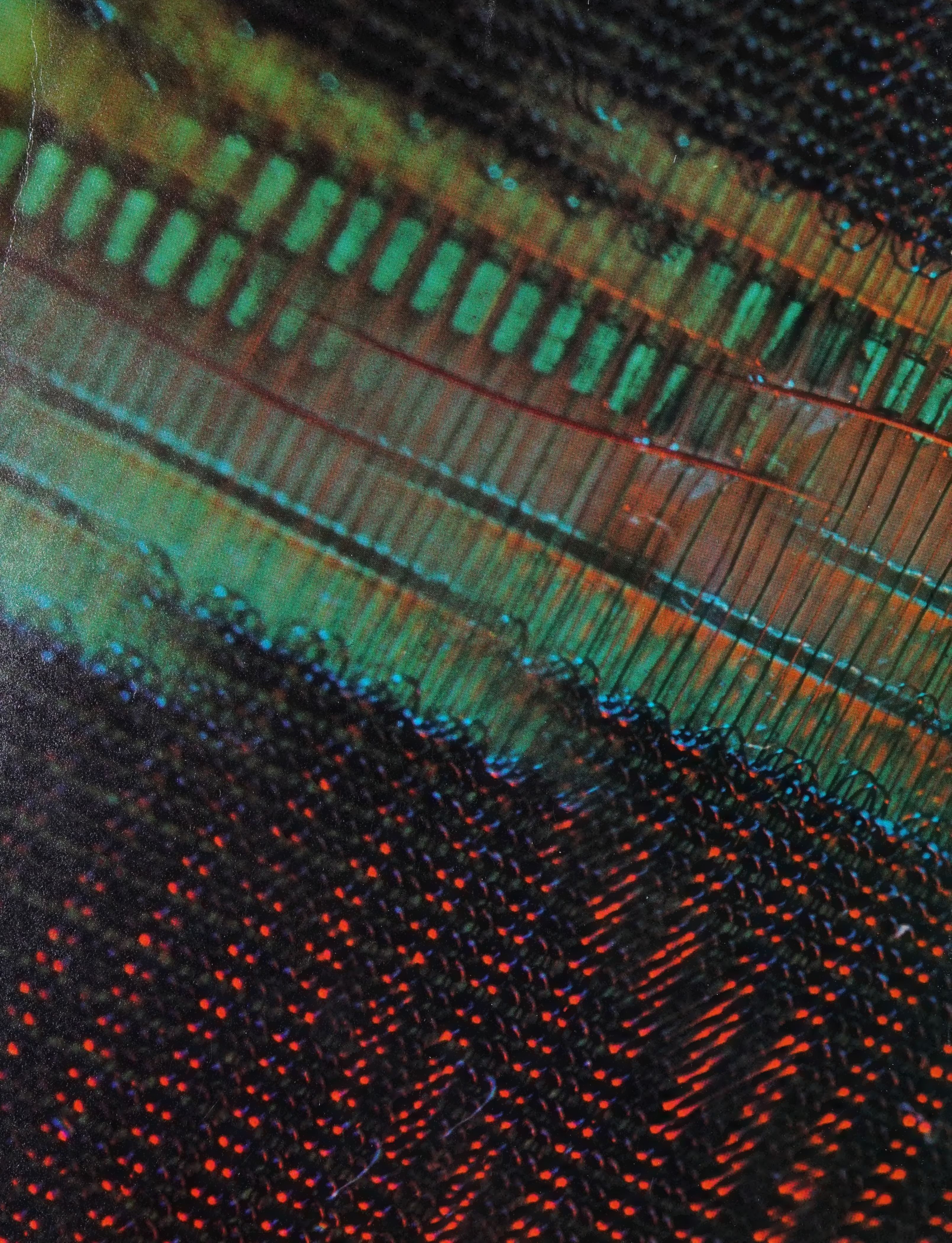
The Company has seven directors and six officers, of whom three are directors. The directors received no remuneration as directors and the aggregate remuneration of officers for the year ended December 31, 1971 was $84,295 (1970, $83,473).

The total remuneration of directors and senior officers (as defined by The Securities Act—Ontario) for the year ended December 31, 1971 was $102,038 (1970, $107,211).

Directors and Officers

Directors	Robert L. Borden, Calgary W. Carroll Bumpers, Phoenix Gordon B. Clarke, Phoenix Walter S. Owen, Vancouver Raymond F. Shaffer, Phoenix Olie E. Swanky, Toronto Gerald H. Trautman, Phoenix
Officers	Gerald H. Trautman, Chairman of the Board Gordon B. Clarke, Vice-Chairman Olie E. Swanky, President and Chief Executive Officer Kenneth E. Lancashire, Vice President and Secretary-Treasurer W. Donald Maunder, Vice President, Marketing
Auditors	Touche Ross & Co., Chartered Accountants
Registrar and Transfer Agent	The Royal Trust Company
Stock Listing	The Montreal Stock Exchange The Toronto Stock Exchange
Bankers	Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada The Mercantile Bank of Canada
Head Office	Greyhound Computer Building 65 Adelaide Street East Toronto 1, Ontario
Annual Meeting	The annual meeting of shareholders will be held at 10 a.m. on Friday, May 12, 1972 in Salon 'B', The Westbury Hotel, 475 Yonge Street, Toronto, Ontario.
Cover	Computer memory core system from Greyhound – the most economical way to stretch the overall performance of system 360.

Design: BPW Creative Resource Group Limited



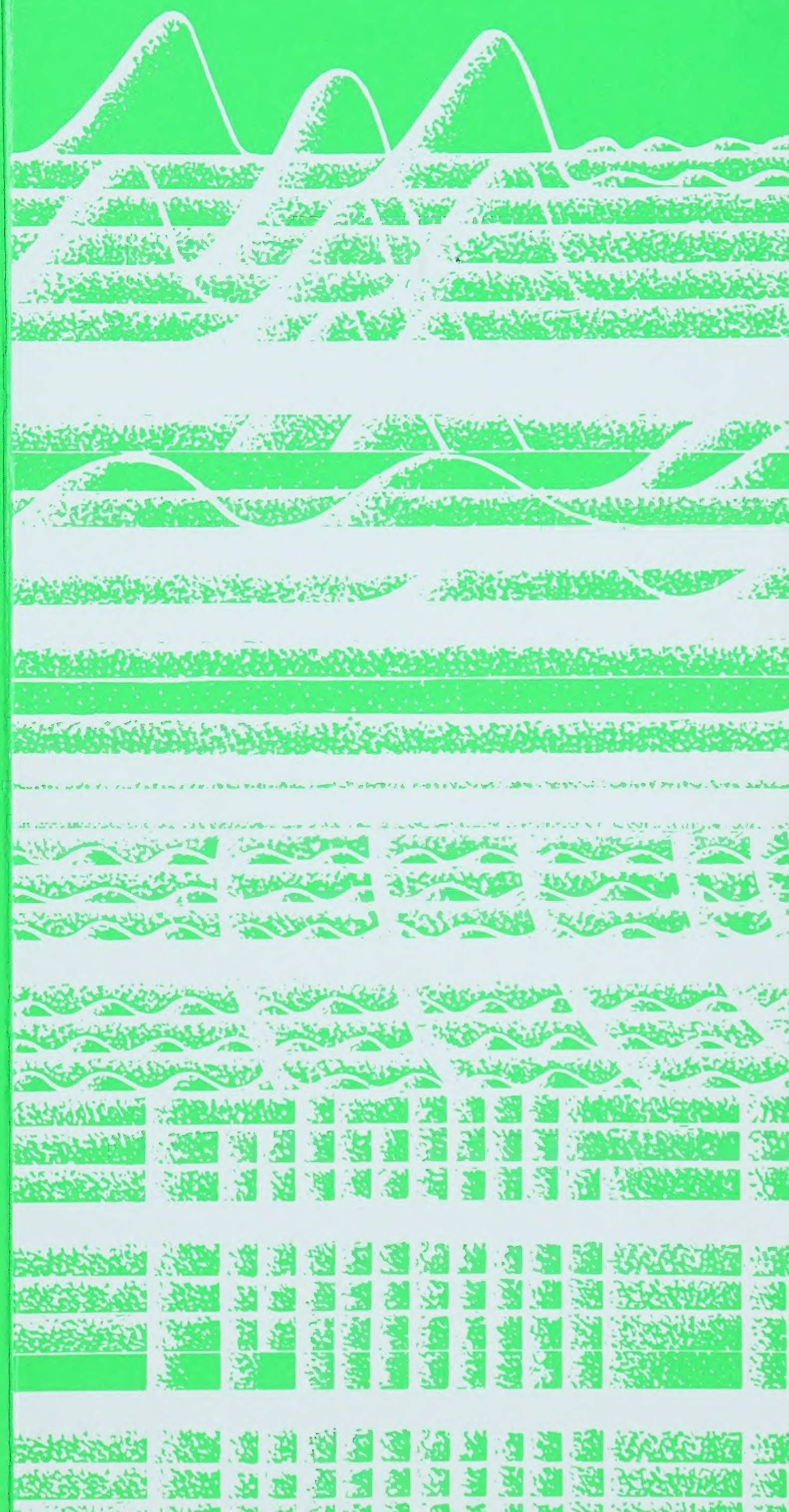
Head Office:
Greyhound Computer Building
65 Adelaide Street East
Toronto 1, Ontario

Ottawa Office:
Greyhound Computer Building
1740 Woodward Drive
Ottawa 5, Ontario

Montreal Office:
1001 Place du Canada
Montreal 101, Quebec

Greyhound Computer of Canada Ltd.

MIDYEAR REPORT JUNE 30, 1971.



Greyhound Computer of Canada Ltd.

August 3rd, 1971

Dear shareholder,

Your company recorded net income for the first six months of 1971 of $337,380 representing an increase of 115 per cent when compared to the same period of 1970.

The second quarter pre-tax operating income of $359,366 reflects the most profitable quarter in the company's history. After provision for deferred income taxes and extraordinary items the second quarter net income of $172,366 was second only to the fourth quarter of 1970, during which a substantial gain was realized on foreign exchange. The improved quarterly earnings were made possible by the successful re-leasing of returned equipment at favourable rates, the income earned by additional equipment purchased during the quarter, continued lower interest rates and tight expense control.

The System/370 equipment announcements made by IBM in mid 1970 have to date had little effect on our marketing activities. Since the beginning of this year IBM has made a number of additional announcements including rental discounts for extended term contracts and reduced rentals on certain peripheral equipment. In most cases our current lease rates provide the customer with greater savings than those offered by the recent IBM announcements and our revenues have therefore not been significantly affected.

The recent Federal budget announcements will have little immediate impact on our operations, although we do welcome the slight reduction in future tax rates. We look forward to a more favourable business climate in the post budget period and remain optimistic that revenues and earnings should continue at a high level.

Olie E. Swanky
On behalf of the Board
President and Chief Executive Officer

Comparative Statement of Earnings
Six months ended June 30, (Unaudited)

	1971	1970
Revenue	$2,385,482	$2,523,547
Depreciation	1,021,537	1,005,444
Interest	440,172	675,051
Other expenses	285,694	516,022
	1,747,403	2,196,517
Income before Deferred Income Taxes and extraordinary items	638,079	327,030
Provision for Deferred Income Taxes	332,000	170,056
Income before extraordinary items	306,079	156,974
Realized gain on foreign exchange	31,301	—
Net income	337,380	156,974
Earnings per share	8.4¢	3.9¢
Average shares outstanding	4,000,000	4,000,000